

MAYOR'S INFRASTRUCTURE FINANCE COMMITTEE EXECUTIVE SUMMARY

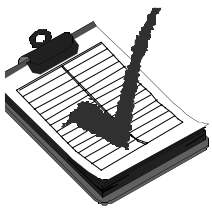


May 2003

Introduction

In October 2002, Lincoln Mayor Don Wesely launched a community process to look at how we pay to maintain and build the City's public infrastructure. This effort looked at streets and highways, water, wastewater, stormwater, and park facilities.

At the center of this process was the Mayor's Infrastructure Finance Committee – or MIFC. Three working groups were later added to aid the Committee with their assignment.



Nearly 50 Lincoln area residents actively participated in this program. MIFC and its work groups have now completed their work. Their recommendations are contained in this summary.

Keeping and expanding Lincoln's infrastructure at a quality level is a challenging task. Resources are available to aid in this task. However, additional funds – in the form of increased user fees, additional tax levies, and development contributions – will be needed to realize our community's goals.

This is not an easy story to bring to the community. But it is a realistic one. It is a reality Lincoln must address today to ensure the facilities will be in place tomorrow.

Mayor's Charge to the Committee

To start the process, the Mayor set several basic ground rules.

- ☒ The City-County Comprehensive Plan must form the foundation for looking at growth issues.
- ☒ The financing package must reflect a "balanced funding approach" -- everyone in the community should contribute.
- ☒ The priorities are first to keep existing facilities in good shape, then build projects of broad community benefit (Beltways and Antelope Valley), and lastly, construct projects furthering planned urban growth.
- ☒ Impact fees must be assumed a part of available future revenues.



MIFC Preamble

- ☒ The MIFC recommendations are a "**complete package**." They are to be viewed in their entirety. Removing or materially altering any of the recommendations would – in the Committee's view – undermine the completeness of approach.
- ☒ City government should maintain a **constant planning horizon of 12 years for infrastructure improvements** and should closely tie the Comprehensive Plan and City's Capital Improvement Program (CIP).
- ☒ The financing challenges facing Lincoln must be contributed to by a **range of constituents**, including the community as a whole, infrastructure users, and the development community. All three must bear their "**fair share**."
- ☒ **Public officials should balance** increased taxes and fees necessary to accommodate 1.5% annual population growth with creating more land for development in order to decrease lot prices.
- ☒ **Impact fees** must be considered part of the funding mix. At a minimum, a replacement funding source contributed from future development must be found if impact fees are eliminated. If impact fees are eliminated and not replaced, the MIFC's consensus should no longer be considered valid.
- ☒ **Inflation** was not factored into the cost and revenue figures. During the program's implementation, the impact of inflation on costs and revenue needs to be considered.



COST SAVINGS AND EFFICIENCY

This process looked beyond the issue of just finding more money to build and maintain infrastructure. It also seriously examined how we can be as efficient as possible in the way we plan, build, and maintain public infrastructure. The ideas listed below are estimated to save \$35 million in "hard savings," \$100 million in "deferred savings," and an undetermined amount in "soft savings."



Big Picture Policies

- ✓ Achieve savings by following the Comp Plan's infrastructure program
- ✓ Closely tie Comp Plan and City's Capital Improvement Program (CIP)
- ✓ Phase infrastructure as needed -- protect right-of-way per Comp Plan.
- ✓ Develop policies for requests not in conformance with Comp Plan.
- ✓ Selective use of force mains and lift stations. Have developer share in costs.
- ✓ Replace temporary force mains and lift stations with gravity flow services over time.
- ✓ Limit use of temporary wastewater services to very specific and unique situations.
- ✓ Look at "special funding districts" for improvements not covered by impact fees.
- ✓ Examine differences in costs between Executive Orders and Special Assessment Districts.



Systems and Processes

- ☒ Lump construction projects into single bids to encourage efficiencies.
- ☒ Consider "indefinite delivery contracts" for professional and construction services.
- ☒ Have City Council use "Statement of Intent" for multi-year contracting.
- ☒ Work with Lancaster County to acquire right-of-way in advance of development.
- ☒ Ensure staff are available to complete ROW acquisition in a timely manner.
- ☒ Give priority to complete engineering drawings over partial plans.
- ☒ Put responsibility on private developer and design team to comply with guidelines.
- ☒ Ensure adequate resources for inspection/observation program.
- ☒ Provide inspectors/observers with greater authority.
- ☒ Examine ways to enhance cooperation among City departments and other agencies.
- ☒ Consider ways to streamline platting process.
- ☒ Pursue Federal and State funds through City's grant writing program.

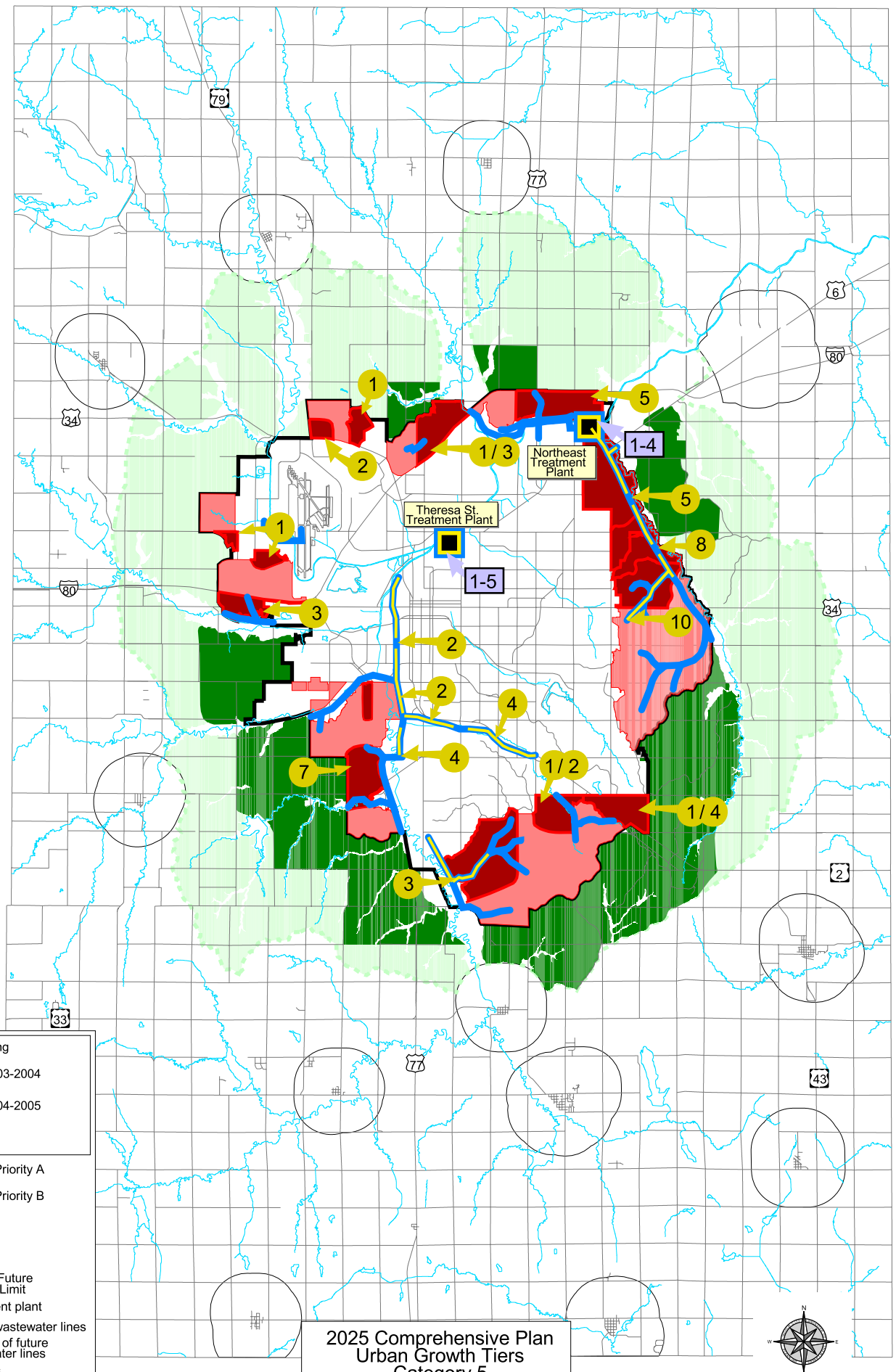
Infrastructure Elements



- Use phased construction practices for arterials (for example, build "outside-in").
- Coordinate future street grades with Lancaster County.
- Make efficient use of paved county roads as city phases in urban improvements.
- Retain 28 foot medians, while assuming fewer dual left turn lanes.
- Use grading as a way to minimize retaining walls along arterials.
- Reduce the number of traffic and pedestrian signals along arterials.
- Bury overhead distribution lines as part of arterials projects in growth areas.
- Require utilities to move and bear the relocation cost for mains or lines in public ROW.
- Retain present standard requiring sidewalks along arterials as part of platting process.
- Eliminate street tree bonds and seek payment in advance as a subdivision requirement.
- Require home builder or buyer to install street trees.

NW 140th St
NW 126th St
NW 112th St
NW 98th St
NW 84th St
NW 70th St
NW 56th St
NW 40th St
NW 27th St
NW 12th St
N 1st St
N 14th St
N 27th St
N 40th St
N 56th St
N 70th St
N 84th St
N 98th St
N 112th St
N 134th St
N 148th St
N 162nd St
N 176th St
N 190th St

Ashland Rd
Little Salt Rd
Agnew Rd
Rock Creek Rd
Davey Rd
Branched Oak Rd
Raymond Rd
Mill Rd
Waverly Rd
Bluff Rd
McKelvie Rd
Alvo Rd
Fletcher Ave
Havelock Ave
Adams St
Holdrege St
O St
A St
Van Dorn St
Pioneers Blvd
Old Cheney Rd
Pine Lake Rd
Yankee Hill Rd
Rokeby Rd
Saltillo Rd
Bennet Rd
Wittstruck Rd
Roca Rd
Martell Rd
Hickman Rd
Stagecoach Rd
Panama Rd
Olive Creek Rd
Princeton Rd
Pella Rd
Firth Rd
Gage Rd



Anticipated Phasing

1 = FY 2003-2004
2 = FY 2004-2005
ETC.

Tier I - Priority A
Tier I - Priority B
Tier II
Tier III

Lincoln Future Service Limit
Treatment plant
Future wastewater lines
Phasing of future wastewater lines
Streams

2025 Comprehensive Plan
Urban Growth Tiers
Category 5



Simply put . . . future revenues are insufficient to build and maintain the infrastructure we need to grow and to keep the quality of life for existing neighborhoods. Substantial funding gaps exist in all infrastructure categories over the next 12 years.

Water and Wastewater

Over the 12 year planning period, both the water and wastewater systems will need to raise about \$130 million each in additional revenues to meet projected needs. (Note: Inflation is not factored into these projections.)

- ❖ The City needs a disciplined approach for systematically adjusting water and wastewater rates. Increased revenues should be used to support revenue bonds to pay for needed facilities.
- ❖ Rate increases should provide sufficient funds to meet capital needs without imposing unreasonable increases.
- ❖ Annual increases in water rates -- ranging from 3% to 5% -- should occur periodically during the next 12 years. This follows a 7% increase in 2003.



- ❖ Wastewater rates should be raised 7% in FY 2003-2004, then periodically increased by 3% to 5% thereafter over 12 years.
- ❖ At no time should rates exceed 5% a year, and increases should not be proposed to occur each year.
- ❖ Water and wastewater facilities should advance the urban growth shown in the Comp Plan.
- ❖ The City should adjust financing terms (i.e., years to pay back bonds) of revenue bonds to reflect market conditions and the economic life of the assets.
- ❖ The City should manage "debt service coverage ratio" within a range of 1.65% and 1.75%.
- ❖ The City should work to maintain its current high bond ratings.
- ❖ The City should recognize issuance of long term debt today may impact its ability to issue similar bonds in the future.
- ❖ The City should prepare a long-range financial plan and update it annually.
- ❖ The City should compare its utility rates on a periodic basis with other communities to ensure it is remaining competitive.

Streets and Highways

Over the 12 year planning period, the street and highway system will need to raise about \$225 million in additional revenues to meet projected needs. (Note: Inflation is not factored into these projections.)

- ❑ Raise current wheel tax by \$5 per vehicle over a seven year period, with increases in 2004, 2007, and 2010. Total increase would be \$15 per vehicle. This raises about \$29.8 million over 12 years.
- ❑ Institute "Occupation Tax" on the retail sale of fuel in Lincoln equal to 5 cents per gallon, effective January 1, 2004. This raises about \$92.1 million over 12 years.
- ❑ Seek voter approval for a \$6 million General Obligation (GO) bond for sidewalk maintenance in existing neighborhoods.
- ❑ Seek voter approval for a \$96.5 million General Obligation (GO) bond for street rehabilitation in existing areas and for new construction.
- ❑ Utilize Highway Allocation Bonds to "smooth out" revenue over the 12 year period.
- ❑ Should the GO bonds not receive initial voter approval, a second attempt should be made to gain approval.
- ❑ Should the Occupation Tax and the Wheel Tax changes not be approved, the City should approach the State about authorization for a local sales tax dedicated to street construction and maintenance.



FINANCE (CON'T)

Watershed Management

Over the 12 year planning period, the watershed management system will need to raise about \$48 million in additional revenues to meet projected needs. (Note: Inflation is not factored into these projections.)

- Continue General Obligation bond funding, although amounts and frequency of such bonding will likely increase.
- Continue to support stormwater management utility legislation in the Unicameral.
- Recognize projected 12 year shortfall does not include certain deficiencies in existing storm drainage system and potential cost to meet Federal water quality standards.

Parks and Recreation

Over the 12 year planning period, the parks and recreation system will need to raise about \$12 million in additional revenues to meet projected needs. (Note: Inflation is not factored into these projections.)

- ▶ Work with Lincoln Public Schools to fund shared community space, estimated to cost a little over \$7 million.
- ▶ Support the use of impact fees for constructing parks and trails in growth areas.
- ▶ Affirm Greenway and Open Space concepts in Comp Plan and proceed with community discussion on how to fund the Plan's recommendations.
- ▶ Support a General Obligation bond for \$3.5 million for trail system rehabilitation.



LEGISLATION

Effective public infrastructure financing involves many legal complexities. Laws at all levels of government affect how infrastructure is financed.

•Legislative priorities at the State should be: (1) Stormwater Utility Authorization Legislation; (2) Fuel Sales Tax; (3) Design-Build Authority; and, (4) MIRF Funds.



- Support legislation authorizing creation of local level of stormwater utilities.
- Recommend local occupation tax on retail sale of fuel.
- Support legislation authorizing "design-build bidding."
- Support continuation of State Municipal Infrastructure Redevelopment Fund (MIRF).
- Support continuation of Federal Reauthorization Legislation for streets and highways.

IMPLEMENTATION

The need to move swiftly to implement the process' recommendations is paramount. It can literally take years to fully implement the recommended funding strategies and to effectively program the funds.

- Create public-private coalition to oversee implementation phase.
- Keep the MIFC and Work Group members involved in implementation phase.
- Undertake community education program on infrastructure financing needs.
- Establish marketing effort for recommended funding options.